

BILL # HB 2443

TITLE: ~~off-highway vehicles; user fee~~ (NOW: user fee;
off-highway vehicles)

SPONSOR: Weiers, J. P.

STATUS: As Amended by Senate NRRA

PREPARED BY: Jeremy Olsen / Bob Hull

FISCAL ANALYSIS

Description

HB 2443 as amended by Senate Natural Resources and Rural Affairs makes several changes related to Off-Highway Vehicles (OHVs). Among the major changes, the bill would modify the distribution of OHV Recreation Fund revenues; levy a new Vehicle License Tax (VLT) of \$3 for certain OHVs that are 1,800 pounds or less (currently only those OHV's which are registered to operate on the highway pay VLT); replace the lifetime provision for OHV license plates with an annual OHV user decal fee; require that the Arizona Game and Fish Department, the State Land Department and the Arizona State Parks Board spend some of their respective OHV Recreation Fund monies for enforcement of OHV laws; and add new OHV operating restrictions and make certain violations a class 3 misdemeanor. If enacted, the bill would become effective January 1, 2008.

Estimated Impact

The bill would affect OHV Recreation Fund allocations to agencies by requiring a new OHV user fee and by altering Motor Fuel Tax distributions. Assuming an equal distribution of registrations throughout the year, the new OHV user fee would generate \$3.4 million in FY 2008, which would grow to \$6.8 million once fully implemented in FY 2009. Of the FY 2009 total, \$4.8 million would go to the state agencies identified in *Table 1*.

| Table 1 | | | |
|---|--|---------------------|--------------------------|
| Changes in State Agency Revenues | | | |
| | Motor Fuel Tax Distribution | OHV User Fee | Total FY 2009 |
| Arizona Game & Fish Department | \$ 113,000 | \$1,663,000 | \$1,776,000 |
| State Land Department | 139,000 | 237,600 | 376,600 |
| Arizona State Parks Board | (252,000) | 2,850,800 | 2,598,800 |
| Total | \$ 0 | \$4,751,400 | \$4,751,400 |

While \$4.8 million of the \$6.8 million of the new OHV user fee would be distributed to state agencies, the remaining \$2 million would be allocated to the State Highway Fund and local governments for transportation funding.

The bill would establish a \$3 Vehicle License Tax (VLT) for certain OHVs, which would result in an increase of \$537,000 in FY 2008, and grow to \$1.1 million annually once the bill is fully implemented in FY 2009.

Table 2 displays the net impact of the OHV user fee and the \$3 OHV VLT on the State Highway Fund and local distributions in FY 2009. The State Highway Fund would gain \$1.3 million, while local government would gain \$1.8 million from Highway User Revenue Fund (HURF) and VLT distributions.

| Table 2 | | | |
|--|---------------------|--------------------|--------------------------|
| Changes in Transportation Funding | | | |
| | OHV User Fee | \$3 OHV VLT | Total FY 2009 |
| State Highway Fund | \$1,028,300 | \$ 247,000 | \$ 1,275,300 |
| Local Distributions | 1,008,000 | 827,000 | 1,835,000 |
| Total | \$2,036,300 | \$1,074,000 | \$3,110,300 |

The bill is projected to result in one-time implementation costs of \$1,820,900 from the State Highway Fund for the Arizona Department of Transportation (ADOT). The original fiscal note did not include these ADOT costs. The \$1,820,900 would include costs of \$724,000 to issue newly designed license plates for currently registered OHVs, \$300,000 for OHV decals, \$366,700 for computer programming, and \$430,200 in higher registration costs. There may be some on-going costs of the bill, but these are expected to be substantially lower than the \$1.8 million for start up. The magnitude of these on-going costs is difficult to determine in advance.

ADOT concurs with the implementation cost estimate, but did not include the \$430,200 registration cost due to a lack of information.

Analysis

Motor Fuel Tax Distribution

The OHV Recreation Fund receives a 0.55% share of motor fuel taxes, and does not currently receive revenue from any other sources. The Arizona State Parks Board currently receives 70% of this amount, and the Arizona Game & Fish Department receives the remaining 30%.

The bill would instead allocate 35% of fund revenues to the Arizona Game & Fish Department, 5% to the State Land Department, and 60% to the Arizona State Parks Board. In FY 2009, this would allocate an additional \$113,000 to the Arizona Game & Fish Department, the State Land Department would receive \$139,000, and the Arizona State Parks Board would have an offsetting decrease of \$(252,000).

OHV Recreation funds are used by the Arizona Game & Fish Department for informational and educational programs for off-highway vehicle recreation, and for OHV law enforcement activities. Monies received by the Arizona State Parks Board are for administrative costs, OHV law enforcement, educational programs, habitat mitigation, facility development, and land acquisition. Under the new allocation, the State Land Department would receive funding for OHV law enforcement, management, and mitigation of OHV use on state trust lands.

Registrations

The bill would require an OHV weighing 1,800 pounds or less to have an OHV decal issued by ADOT in order to use the OHV on designated trails or areas. ADOT would charge an OHV user fee for the decal, which would be valid for one year. Upon paying the OHV user fee, ADOT would register the vehicle for highway use, if requested and if the vehicle meets all the requirements to be operated on the highway. The OHV user fee would be determined by ADOT in cooperation with the Arizona Game & Fish Department and the Arizona State Parks Board. Revenues from the OHV user fee would be deposited into the OHV Recreation Fund and the HURF. ADOT estimates an implementation cost of \$300,000 for OHV decals.

The Arizona Game & Fish Department has proposed an amount of \$18.96 for the vehicle registration fee. It is estimated that 358,000 OHVs would pay an annual OHV user fee. While a departmental survey estimated the current number of unregistered OHVs to be at least 200,000, they assume that 120,000 of these will register due to the bill's requirement that the Arizona Game and Fish Department, the State Land Department and the Arizona State Parks Board spend some of their respective OHV Recreation Fund monies for enforcement of OHV laws. Combined with 238,000 smaller OHVs (1,800 pounds or less) out of the 265,000 vehicles currently registered, the bill would result in a total of 358,000 OHV user fees.

Based on the department's estimate of 358,000 OHV user fees per year and a proposed OHV user fee of \$18.96, the fee would generate approximately \$3,393,800 in FY 2008, which would grow to \$6,787,700 in FY 2009. Thirty percent of revenues from this OHV user fee would be allocated to HURF, and the remaining 70% would be allocated to the OHV Recreation Fund. Of the amount allocated to the OHV Recreation Fund in FY 2009, \$1,663,000, or 35% would be allocated to the Arizona Game & Fish Department; \$2,850,800, or 60% to the Arizona State Parks Board; and \$237,600, or 5% to the State Land Department. Once monies are deposited into HURF, they are further distributed to the State Highway Fund and to local governments. Of the \$2,036,300 in additional HURF funding, \$1,028,300 would be distributed to the State Highway Fund and \$1,008,000 to local governments.

ADOT would incur additional costs due to customers visiting Motor Vehicle Division (MVD) offices to register their currently unregistered OHVs. As stated above, the Arizona Game & Fish Department estimates, that due to the additional enforcement provisions contained within the bill, 120,000 currently unregistered OHVs would be registered. Under this scenario, JLBC Staff estimates that MVD could have a largely one-time cost of \$430,200 for 9 clerks to register 120,000 currently unregistered OHVs. The need for 9 clerks is based on MVD's estimate that a clerk can perform an average of 50

transactions per day. The 120,000 OHV registrations would represent a 2.2% increase over the 5,466,900 MVD field office transactions in FY 2006. The initial 120,000 OHV registration workload in MVD field offices should decrease significantly in subsequent years, since 79% of all vehicle registration renewals are completed through alternate methods, such as renew-by-mail and the internet.

ADOT did not estimate the fiscal impact of additional customers visiting MVD offices to register their currently unregistered OHVs. ADOT is uncertain how many OHVs are currently unregistered, and the timing and location of the additional MVD customers.

License Plates

The license plate requirements for OHVs would also be altered under the bill. Current statute requires OHVs to pay a one-time registration fee of \$8 for a license plate, which is valid for the lifetime of the vehicle, and a \$4 title fee. The State Highway Fund receives \$1 of this amount and the remaining amount is deposited into the HURF. The bill would replace the lifetime provision for license plates with an annual OHV user fee. Under the bill, newly registered smaller OHVs (1,800 pounds or less) would no longer pay an initial vehicle registration fee, but would instead pay an annual OHV user fee.

The bill would require that ADOT establish procedures by July 1, 2008 to systematically replace OHV license plates issued before January 1, 2008, with newly designed OHV license plates. ADOT estimates an implementation cost of \$724,000 to issue newly designed license plates for currently registered OHVs.

Vehicle License Tax

Current statute allows VLT exemptions for certain classifications of OHVs. The bill would establish a \$3 annual VLT for the 358,000 OHVs paying an annual OHV user fee. These OHVs currently pay no VLT. The resulting annual increase would be \$537,000 in FY 2008, which would grow to \$1.1 million in FY 2009. This would represent a FY 2009 increase to the State Highway Fund of \$247,000, and an increase of \$827,000 to local government distributions. Funds received from the VLT are ultimately distributed to the State Highway Fund and local governments.

OHV Violation Fines

The bill changes violations of some OHV operation regulations from a class 2 misdemeanor to a class 3 misdemeanor. Fines for class 2 misdemeanors are determined by the court, but are not to exceed \$750, while fines for class 3 misdemeanors are not to exceed \$500. Statute currently allows judges to order community service or completion of an approved OHV safety course in addition to or in lieu of the monetary fines, and this provision is maintained in the bill. Fines are distributed to the jurisdiction in which the court is held, as stipulated by A.R.S. § 13-811. (*See Local Government Impact for additional discussion.*)

Local Government Impact

A new OHV user fee of \$18.96 would add \$1,008,000 to local governments, and a new \$3 OHV VLT would add \$827,000. The net impact of the bill to local government, therefore, would be \$1,835,000.

In addition, some local governments will also be required to participate in enforcement activities. However, OHV Recreation Fund revenue will be available as grants through the Arizona State Parks Board for these purposes. The amount of aid available to local governments for enforcement and the expenses, which will be incurred by local governments, would depend on the actions of the Arizona State Parks Board and local governments.

The reduction of some violations from a class 2 misdemeanor to a class 3 misdemeanor could result in decreased fine revenue. However, given that an increase in enforcement activity could generate additional citations, those losses may be offset.